

# **Environmental Leadership Program Pilot Phase Final Project Report The Gillette ELP Team**

## **I. INTRODUCTION**

### **A. Background**

The U.S. Environmental Protection Agency (EPA) announced a new initiative called the Environmental Leadership Program (ELP) in the June 21, 1994 Federal Register. ELP is designed to recognize and provide incentives to facilities willing to develop and demonstrate innovative approaches to establishing accountability for compliance with existing laws. This program is one of several new environmental initiatives announced as part of the Clinton Administration's reinvention of regulation to achieve environmental results at the least cost.

There are four major goals for the ELP:

- ◆ Define characteristics of an "Environmental Leader"
- ◆ Recognize and reward those facilities that achieve the high standards being established for environmental leadership.
- ◆ Identify and promote outstanding environmental and compliance management systems.
- ◆ Demonstrate effective partnerships with the States and Industry.

### **B. The Gillette ELP Pilot Project**

Among the 12 projects selected for the ELP pilots was the Gillette proposal. This pilot project was conducted to allow Team members to evaluate the regulated community's ability to identify and address compliance and environmental management issues. Environmental compliance audit guidelines were developed and piloted as part of the project. Data gathered from the audit activities performed at the three facilities will contribute to a full-scale ELP.

Three Gillette facilities participated in the pilot phase: South Boston Manufacturing Center; North Chicago Manufacturing Center; and Santa Monica Manufacturing Center. In June 1995, a Memorandum of Agreement for the pilot project was agreed upon and signed by representatives of Gillette, EPA, Massachusetts Department of Environmental Quality, Illinois EPA, California EPA, and the City of Santa Monica. Project plan activities were underway by July 1995.

The Gillette pilot phase included the following activities:

- ◆ Developed compliance audit guidance and state specific compliance audit protocols;
- ◆ Conducted compliance audits at the three participating facilities -- audits were conducted by Gillette corporate auditors, Gillette Team<sup>1</sup> participants from the regulatory agencies observed the audits. A “comparison” compliance audit was conducted by an independent third party (consulting firm) at the Santa Monica Manufacturing Center. In addition, the independent third party conducted an EMS audit at the Santa Monica Manufacturing Center and South Boston Manufacturing Center.
- ◆ Addressed areas of noncompliance as detected during the compliance audit (corrective action will be performed by Gillette facility personnel);

## II. PURPOSE OF THIS PROJECT REPORT

The purpose of this report is to:

- ◆ Provide a review of the pilot project activities including results, successes, and benefits derived by the Gillette Team members;
- ◆ Describes the compliance audit guidance developed by the Gillette Team participants, the process used to develop the guidance, and status of the document;
- ◆ Describes the compliance audit protocols developed by Gillette;
- ◆ Provides a summary of participant comments on the pilot project.

## III. THE ENVIRONMENTAL LEADERSHIP PROGRAM COMPLIANCE AUDIT GUIDANCE

### A. Compliance Audit Guidance Overview

The Gillette Team developed a guidance for conducting compliance audits at the three participating Gillette facilities. Participating facilities are expected to demonstrate environmental leadership qualities. Therefore, in addition to assessing compliance with Federal, State, and local environmental regulations, the guidance also addressed compliance with “beyond compliance” activities (e.g., pollution prevention, implementation of company environmental policies).

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Under the terms of the Gillette ELP Memorandum of Agreement, the ELP Team consists of representatives from Gillette, EPA Headquarters, EPA Regions I, V, and IX, the States of Massachusetts, Illinois, and California, and the City of Santa Monica.

## 1. Scope of Compliance Audit

The guidance is intended to help facilities conduct facility wide audits to assess compliance with all applicable Federal, State, and local environmental regulations. In addition, the guidance included activities to assess compliance with company environmental policies and commitments to “beyond compliance activities” (e.g., pollution prevention, waste minimization). Through the guidance review process, the Gillette Team received numerous comments regarding the inclusion of the “beyond compliance activities” in a compliance audit guidance. Several commentors felt strongly that compliance audits should only assess compliance with applicable regulations. Because this guidance was used by facilities participating in an environmental leadership pilot program, the Gillette Team decided to assess compliance with “beyond compliance activities” as part of the compliance audit.

## 2. Auditor Qualifications

The Gillette Team discussed the issue of auditor qualifications at length. After reviewing qualifications proposed by various professional organizations, the Gillette Team decided to develop qualitative qualifications focussing on auditors "objectivity and independence" and "skills and knowledge". In addition, the Gillette Team discussed the use of audit teams vs. a single auditor. When an audit team is used, the Gillette Team agreed that the skills/knowledge of the team as a whole can be used to meet the standards presented in the guidance.

## 3. Environmental Compliance Audit Activities

The guidance addresses compliance audit activities in three phases: previsit activities, on-site activities, and post-visit activities. During the previsit activities, the Gillette Team felt that auditors should understand the basic industrial process(es) and operations, and be able to identify all substances or materials which are used by the facility and which could be released directly or indirectly into the environment. The guidance suggests that auditors review appropriate facility documents, conduct interviews with facility staff, and conduct pre-visit meetings to accomplish this goal. Information gathered through this process should feed into the development of the facility audit protocol. Members of the Gillette Team felt strongly that the most effective auditor(s) would be well informed with regard to facility operations and practices prior to the site visit.

The guidance includes a detailed discussion with regard to the Gillette Team's expectations for onsite compliance audit activities. During the onsite phase, the auditor(s) should have sufficient knowledge to evaluate facility operations, maintenance, and handling procedures to assess all environmental compliance areas. The Gillette Team notes that audit findings should be discussed with appropriate facility personnel upon detection and addressed as soon as possible.

The Gillette Team recognized the impracticality of reviewing all records, permit conditions, etc., pertaining to environmental compliance. Therefore, the guidance directs the auditor(s) to review

a representative sample of the documents in question in order to make a compliance determination. Specific guidance on how to establish a “representative sample” was deliberately not provided in the guidance. The Gillette Team felt that some discretion should be left to the auditor(s) to determine their needs with regard to compliance determinations.

The Gillette Team discussed, sampling, testing, and monitoring at the facility. Several Gillette Team members felt that verification sampling was a critical component of the onsite activities to validate the audit results. While other Gillette Team members felt that audits should not necessarily include sampling activities since such activities are not usually included during Federal or State inspections. After much discussion, the Gillette Team agreed on guidance language that directs the auditor(s) to identify sampling or testing needs where compliance with applicable regulations can not be assessed by reviewing documentation or observing actual practices. In addition, the guidance requests that where verification sampling/testing is conducted, the rationale for the verification scheme be explained in the audit report.

#### 4. Post-Visit Activities

Post-visit activities discussed in the guidance included: drafting a compliance audit report and developing a corrective action plan in response to audit findings. The compliance audit report contains all findings regarding compliance and potential noncompliance found during the audit.

#### B. Guidance Development Procedures

To develop this guidance, the Gillette Team consulted with and/or sought comment from: EPA Headquarters offices including the Office of Federal Facilities and Enforcement and the National Enforcement and Investigation Center; private institutions such as the Institute of Environmental Auditing; environmental groups; and industry representatives and associations. The Gillette Team also reviewed existing and evolving auditing standards developed by organizations such as the International Organization for Standardization, Global Environmental Management Initiative, American Society for Testing and Materials, American National Standards Institute, and the National Sanitation Foundation.

The draft guidance was made available for review and comment through EPA’s computer bulletin board system accessible through the Internet. In addition, the draft guidance was sent to a cross-section of industry and environmental group representatives for comment

#### C. Status of Compliance Audit Guidance

The compliance audit guidance was used to prepare for and conduct the compliance audits at the three Gillette facilities. At the conclusion of the pilot project, the guidance was evaluated for use in the full-scale ELP. To avoid confusion between compliance audit and EMS audit activities, portions of the Gillette compliance audit guidelines addressing “beyond compliance activities” are not included in the proposed full-scale ELP compliance audit guidelines. Rather, the “beyond

compliance activities” will be addressed through the full-scale ELP EMS required elements.

Subsequent to the Gillette pilot project activities, auditor qualifications developed or under development by several large professional organizations (e.g., American Society for Testing and Materials, International Standards Organization) were further reviewed. Auditor qualifications generated by these organizations were generally consistent in content. For this reason, the common elements for auditor certification and/or qualification under the various organizations are proposed for use in the full-scale ELP.

#### IV. THE GILLETTE COMPLIANCE AUDIT PROTOCOLS

State specific environmental compliance protocols were developed for use during the compliance audits. The protocols included an auditor instruction sheet for each media which required the auditor to verify that certain activities are performed during the audit. The instructions were followed by a general overview of the regulatory requirements for each media (e.g., air, water, waste) and a listing of more specific requirements. The protocols included a general list of regulatory requirements but were intended to serve as an all inclusive checklist of applicable requirements.

#### V. PILOT PROJECT ON-SITE AUDIT ACTIVITIES

##### North Chicago Manufacturing Center

The Gillette ELP pilot project at the North Chicago Manufacturing Center was broken into two parts. The orientation site visit was held in July, 1995. On March 20 and 21, 1996, representatives from Gillette’s Corporate Environmental Affairs Department conducted a compliance audit of the North Chicago Manufacturing Facility in North Chicago, IL. The compliance audit was observed by EPA and state representatives of the Gillette Team. The audit consisted of a records review and a walk through of the plant. At the conclusion of the compliance audit, the Gillette auditors developed an audit report which was made available to EPA and the IL representative. The audit was conducted to assess compliance with relevant regulatory and Company environmental policy requirements, pilot the State-specific audit protocol and Gillette Compliance Audit Guidance, and to enable EPA and State personnel evaluate an audit conducted by corporate personnel.

##### South Boston Manufacturing Center

The Gillette ELP pilot project at the South Boston Manufacturing Center (SBMC) was broken into three parts. The orientation site visit was held on August 1-2, 1995. A Gillette corporate auditing team conducted the compliance audit on April 1-3, 1996. The ELP team members from EPA Headquarters, Region 1, and Massachusetts DEP participated as observers. The EMS audit

was conducted on July 29-31, 1996. The Gillette ELP team participated as observers while the contractors, ERM conducted the EMS audit. ERM evaluated SBMC's EMS against the ISO 14001 criteria in order to provide a gap analysis for the facility. The ELP team observed the EMS audit and evaluated if the compliance issues identified in April 1996, were addressed through the EMS. The EMS audit identified that the root causes for the problems had been identified and resolved.

#### Santa Monica Manufacturing Center

From June 24-28, 1996 a series of audits were conducted at Gillette's Papermate pen facility in Santa Monica, CA. The audits consisted of a compliance audit conducted by Gillette corporate environmental personnel, a comparison compliance audit by an independent third party (ERM) and an EMS audit conducted by the same independent third party. The purpose of the exercise was to observe a corporate compliance audit and to compare the results with an audit conducted by an independent third party. The audits were observed by EPA headquarter and regional personnel and personnel from the Santa Monica local agency.

On June 24-25 Gillette corporate environmental personnel conducted a compliance audit of the facility using a state specific audit protocol developed by ERM of New England and approved by the Gillette ELP team. The corporate audit consisted of significant records review and a walk through of the plant.

On June 26-28, 1996 an independent third party conducted a compliance and EMS audit of the Santa Monica facility. The third party auditors followed the same compliance audit protocol as the Gillette auditors. The auditors did an extensive records review and several plant walk throughs in the process of conducting the audit. The third party auditors stated that the Santa Monica facility had an one of the best pollution prevention and waste minimization programs they had seen.

The third party auditors also conducted an EMS audit of the facility using ISO 14000 EMS requirements. They performed an extensive records review including a review of the facility's environmental policies, training program and regulatory awareness programs. They also interviewed several employees including line workers, warehouse personnel, utility personnel, managers and the facility nurse. The auditors was impressed with the elements of an EMS which the facility had in place, however the facility had some gaps in documentation of some of their programs.

## EPA/State Pilot Project Participant Observations

### **EPA Headquarters Observations**

The opportunity to observe the compliance and EMS audits conducted at the Gillette participating facilities was extremely valuable. EPA Headquarters (HQ) project participants made the following observations:

- Auditor independence and objectivity have been raised as a concern regarding facility self audits and corporate audits. The HQ EPA observers found the corporate auditors to be sufficiently independent of the facility. The corporate auditors were viewed as an autonomous entity and their attitude and the attitude of the facility personnel expressed a distinct separation in their responsibilities. Regarding objectivity, observers did express that because corporate auditors were aware of the facilities exemplary compliance record they may not have scrutinized certain areas of the facility as much as auditors who were less familiar with the facilities compliance history. Despite these issues, the EPA HQ observers found the corporate audit to be an adequate assessment of the facilities compliance with major environmental regulatory requirements.
- As a result of the lag time experienced between the compliance and EMS audits conducted at the SBMC it was difficult to evaluate the root-causes for the identified noncompliance. For this reason, EPA HQ notes the importance for conducting EMS and compliance audits concurrently.
- The third party compliance audit of the Santa Monica facility was extremely thorough. The auditors knowledge of federal, state and local requirements was extensive. The third party auditors identified several minor compliance issues beyond those identified by the corporate auditors.
- The third party auditors hired by Gillette were completely independent and autonomous. EPA HQ believes that the third party auditors may be more objective than the corporate auditors because they had no preconceived notions of the facility. In addition, the third party auditors often have the benefit of bringing in regional specialists who are more knowledgeable about state and local requirements. These positive aspects must be weighed against the added cost for corporations to hire third party auditors on a regular basis to conduct audits.

## **EPA Regional Office Observations**

### EPA New England (EPA NE) Observations:

EPA NE staff found the opportunity to participate in the ELP to be a valuable and productive exercise. The Region's role was to observe and evaluate the process of auditing. Regional staff observed a compliance and EMS audit at Gillette's South Boston facility. EPA NE staff felt the corporate auditors were sufficiently independent and experienced and the combination of experience auditors and a detailed checklist lead to a thorough audit. The Region observed a third party EMS audit in which the auditors assessed the gap between the facilities EMS and ISO 14000 standards. The auditors were clearly independent of the facility and conducted a very thorough audit. In general, Gillette should be commended for their participation in the project. The Region stated that in the future plant managers should sign the program agreement as well as corporate individuals so that plant personnel will be involved early in the agreement discussions.

### EPA Region 5 Observations:

The Gillette pilot project produced guidance to be used for performing compliance audits. From a Regional point of view, that was the most significant accomplishment of the project in Region 5. Another very significant accomplishment was the test of the compliance audit guidance at the Gillette facility in North Chicago, Illinois. Region 5 staff participated in the compliance audit as observers and found the experience to be very helpful in giving Region 5 confidence in the audit process as a means of evaluating the compliance status of the facility. However, it is also fair to say that, had Region 5 staff performed the audit and written the audit report, the findings would have been reported in a more direct, perhaps blunt, style. In some instances, Region 5 staff felt the significance of certain compliance issues reported in the audit report was not made clear. The fact that Gillette utilized its own corporate level environmental staff to perform the audit was a concern of Region 5 staff. Although our observation of the compliance audit did not reveal noticeable bias on the part of Gillette's corporate staff, we remain concerned about whether or not in-house auditors can remain independent and unbiased.

Another major concern was the degree of stakeholder participation in the compliance audit process. Region 5 understands that Gillette had reasons for deciding to have no local community representatives observe the compliance audit. However, we remain convinced that community participation in the audit process would have increased the value of the pilot project. The Gillette facility in Illinois is located adjacent to a growing residential area. The compliance audit focussed primarily on State and Federal environmental regulations. However, there are local regulations that also impact the environment in a less direct manner. Those local regulations may be of more interest to the local community. Having community participation in the audit process might have helped identify if issues such as truck traffic, road dust, noise, night-time operations at the facility, etc., all of which may be regulated locally, are being addressed adequately by the facility. There is no evidence that such concerns are not being addressed by



the facility. However, the audit process did not appear to evaluate such issues.

Region 5 was impressed with the cooperative attitude displayed by the local and corporate level employees at Gillette. The management and staff at the Gillette facility in North Chicago were especially generous in giving so much of their time to the pilot project activities. Their efforts and willingness to share information with U.S.EPA contributed to the success of this voluntary pilot project.

### **State/Local ELP Participant Observations**

#### Massachusetts Department of Environmental Protection (MADEP):

The MADEP's participation in the ELP program resulted in a very positive working relationship with Gillette. The communications that were established during the program, allowed the state and Gillette to resolve compliance matters in a non-traditional fashion that provided greater benefit to the environment. In one instance involving a RCRA waste oil disposal issue, MADEP was able to establish the root cause of the problem due to the increased communication. Another benefit of participation in the pilot program was an increased understanding of environmental management systems (EMS) and EMS audits. Overall the Gillette ELP pilot provided experience in compliance assurance options outside of traditional command and control regulatory programs.

#### City of Santa Monica (CSM):

As a result of their participation in the ELP, the CSM now enjoys increased communications with the Gillette facility. The relationship has become more cooperative. CSM stated that the ELP stresses that the regulator and the facility both have a common goal. The regulators are more willing to work with facilities when they realize the facility is striving for excellence. Participation in the ELP allowed CSM staff to become more familiar with the operations of the Gillette plant as well as the audit protocols and procedures they use. CSM staff were also exposed to other compliance tools such as auditing, environmental management systems, and mentoring. The CSM appreciated the opportunity to participate in a national program with federal and state professionals and view projects from a national level.

### **Gillette Personnel Observation**

Gillette personnel who participated in the pilot, felt the project demonstrated the benefits of the regulators and the regulated community working together. The project resulted in increased understanding, communication and trust between the two parties. During the project Gillette experienced situations where the increased communication allowed the states, EPA and Gillette to resolve environmental issues quickly in a productive and positive manner. Prior to the program, the issues may have dragged on for a prolonged period of time before they were resolved. In general, Gillette found participating in the pilot to be a positive experience and looks

forward to participating in the full scale program. The Gillette ELP participants do feel strongly that corporate auditors should be considered external environmental auditors because of their independence from the individual facilities.